

Form Approved - OMB No. 0551-0040

**FAS-930**  
(05-21-04)**U.S. DEPARTMENT OF AGRICULTURE**  
Foreign Agricultural Service**TRADE ADJUSTMENT ASSISTANCE (TAA) FOR FARMERS**  
**PETITION FOR CERTIFICATION AND ELIGIBILITY FOR A GROUP OF PRODUCERS**

**NOTE:** The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The authority for requesting the following information is the Trade Adjustment Assistance for Farmers, (Pub. L. 107-210). The information will be used to determine program eligibility. Furnishing the requested information is voluntary. Failure to furnish the requested information will result in denial of program benefits. This information may be provided to other agencies.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0551-0040. The time required to complete this information collection is estimated to average 6 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Completed petition must be submitted by January 31 and faxed or emailed or mailed to addresses listed below.

**Deadline for petition submission is January 31 by one of the following methods:**

**FAX**

(202) 720-0876

**EMAIL**

trade.adjustment@fas.usda.gov

**ADDRESS**

U.S. Department of Agriculture  
Import Policies and Programs Division/FAS  
1400 Independence Ave., S.W.  
Stop 1021  
Washington, DC 20250-1021

1. Name of Authorized Representative or Primary Contact Keith Replin		2. Name and Business Address (including City, State, and Zip Code) Potato Growers of Idaho Inc P.O. Box 949 1010 West Bridge Suite C Blackfoot, ID 83221	
3. Telephone Number (including Area Code) (208) 785-1110			
4. Fax Number (including Area Code) (208) 785-1249		5. E-Mail Address pgike@cableone.net	
6. This petition is made on behalf of the following producers: (Use separate sheet for additional producers)			
A. Name of Producers	B. Mailing Address	C. Telephone No. (including Area Code)	D. E-Mail Address
RA			

<b>7. COMMODITY INFORMATION:</b>	
A. Description of the raw (excludes processed) agricultural commodity: (e.g., fresh raspberries) Fresh Potatoes	B. Competing Imported Commodity's Harmonized Tariff Schedule (HTS) Number (HTS can be found at: <a href="http://www.usitc.gov/affairs.htm">http://www.usitc.gov/affairs.htm</a> ) 2004.10.8020
C. This petition is for the most recent marketing year for the commodity beginning in <u>Sept./2003</u> and ending <u>July/2004</u> (month/year) (month/year)	
D. Check whether the certification is to cover a commodity produced nationally or in an "impacted" area (state or states): <input type="checkbox"/> National <input checked="" type="checkbox"/> State(s) (list): Idaho	

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FAS-930 (05-21-04) Page 2

8. If Item 7D "National" is checked, provide the national average annual price for the most recent marketing year and the 5 preceding marketing years. If Item 7D "State(s)" is checked to indicate that the petition is for an impacted area, provide the relevant average price for the most recent marketing year and the 5 preceding years, and specify the months being averaged if the price is for less than 12 months (seasonal price).

**NOTE: Use Official data if available.** The Department's National Agricultural Statistical Service (NASS) has national price data available for many raw agricultural commodities. That information can be found at: [www.usda.gov/nass](http://www.usda.gov/nass). You must state the source of your price data. If you do not use official data, you must provide contact information for verification purposes and supporting documentation to show how your price was calculated.

A. Marketing Year	B. Average Annual Price				
Most recent  2003	\$ 3.12				
Provide prices for the 5 years prior to the most recent marketing years. Beginning with the most recent.	C. 5-Year Average Annual Price				
	1 Year ago	2 Years ago	3 Years ago	4 Years ago	5 Years ago
	\$ 4.05	\$ 8.02	\$ 2.04	\$ 3.79	\$ 4.51

9. Basis for request for adjustment assistance. Please explain or attach any documents, which show how increased imports have affected the national price of your product during the most recent marketing year. In your description include any other factors which may also have contributed to lower producer prices.

The Potato Growers of Idaho Inc. is filing this petition to seek assistance for our growers due to a 30% decline in the market price of fresh potatoes during the marketing year for the 2003 Idaho crop. We are using prices from the North American Potato Market News, Inc. In turn, that report is derived from Federal-State Market News shipping point price data. Document #1, included with this petition, fully explains the pricing data. National Ag Statistics Service numbers will not work, because they include the sale price of pre-season contracted frozen processing potatoes. The pre-season processing price is relatively constant. This petition is for fresh market potatoes, which have a completely different pricing basis.

The principal reason for this price drop is the surge in imported french fries from Canada. This surge is also documented in Document #1, with original data from the US International Trade Commission web site. The reason imported french fries caused a drop in fresh potato prices is because the majority of potatoes produced in Idaho for making french fries are also interchangeable with fresh market potatoes. When the market for US french fries declined significantly, including the closing of an Idaho french fry plant, due to the surge in imports of Canadian french fries, many growers were forced to sell their potatoes in the french market. This resulted in a surplus of fresh potatoes without an increase in demand. The demand for potatoes is very inelastic, so the increased supply of fresh potatoes resulted in the 30% drop in 2003 crop prices, as shown above.

Document #1 further describes why an increase in french fry imports lead to a drop of fresh market prices. Document #2 is a letter from Paul Patterson, University of Idaho Extension Agricultural Economist. He also explains the connection between french fry imports and fresh potato prices.

In summary, the Idaho fresh potato market declined by 30% during the 2003 crop marketing season compared to the average of the previous five years. This decline was caused by the large import surge of Canadian french fries which resulted in a flood of processing potatoes into the fresh potato market, creating a surplus and lowering the price to growers.

We look forward to supplying additional documentation as necessary.

10A. SIGNATURE OF AUTHORIZED REPRESENTATIVE OR PRIMARY CONTACT  <i>Kevin Epler</i>	10B. TITLE Executive Director	10C. DATE SIGNED 01-31-2005
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610 East 16 Street  
PO Box 3112  
Idaho Falls ID 83403

# NORTH AMERICAN POTATO MARKET NEWS, INC.

## DOCUMENT 1

Phone: (208) 525-8387  
Fax: (208) 525-8569  
E-mail: napmn@napmn.com

January 31, 2005

Page 1 of 3

### Negative Impact of French Fry Imports on Fresh Russet Potato Prices

In Idaho, Russet Burbank potatoes are the main variety of Russet potato sold in fresh market channels, as well as the primary source of raw product for the frozen processing industry. Data produced by the Idaho and Eastern Oregon Potato Committee indicate that 70% of all fresh potatoes shipped from Idaho, from the 2003 potato crop were Russet Burbanks.

Rapid growth in French Fry imports, over a number of years, have had a destabilizing influence on prices for fresh Russet potatoes. Since Russet Burbank potatoes used to produce French Fries are interchangeable with those shipped on the fresh market, a rapid decline in processing activity can flood the fresh potato market with extra supplies. Though French Fry imports have been growing over time, the negative price impact of a surge of imports, during the 2003-crop marketing season is easy to see. French Fry imports, during the July 2003-June 2004 period increased by 24%, climbing to 1.72 billion lbs. The extra imports displaced approximately 6.7 million cwt of domestically produced potatoes. USDA data generated by the Idaho Agricultural Statistics Office, show that processors used 8.1 million cwt fewer Idaho potatoes from the 2003 crop than they used the previous year. As a result, the average return to Idaho growers for fresh potatoes fell to \$3.12 per cwt, which is 30% below the average return for the previous five years.

### Supporting Data For Fresh Potato Trade Assistance Claim

Year	French Fry Imports (Million lbs)	Raw Product Equivalent (Million Cwt)	Idaho Processing Use (Million Cwt)	Idaho Grower Returns Index (\$/Cwt)
1998/99	835.9	16.7	83.4	\$4.51
1999/00	1053.2	21.1	78.4	\$3.79
2000/01	1136.4	22.7	82.6	\$2.04
2001/02	1350.8	27.0	65.7	\$8.02
2002/03	1382.3	27.7	78.2	\$4.05
2003/04	1717.5	33.4	70.1	\$3.12

Though a large portion of Russet Burbank potatoes grown for the frozen processing industry are contracted in advance, fryers encourage growers to produce extra potatoes for the open market. They do so by imposing penalties for not delivering the entire contract volume, and by intentionally purchasing a portion of their raw product needs on the open market each year. Because Idaho has a robust fresh potato industry, the frozen processing industry traditionally has viewed the state as a swing producer of its raw product. The percentage of total needs placed under contract, in Idaho, has varied widely, from year to year, depending upon the overall "open" position desired by the processing companies. Therefore, when processors reduce contract volume in the state, growers do not automatically view the reduction as a signal to plant fewer potatoes. Even when growers receive a clear signal that they will lose business, it is difficult to adjust to such a signal in one year, particularly when the signal comes during the middle of the planting season, as it did in 2003.

**Relevant Events**

Document 1

Page 2 of 3

In 2003, the J.R. Simplot was in the process of completing a new French Fry plant in Manitoba. It had announced plans to close the Heyburn ID plant later that year. Idaho growers received verbal indications on the volume of potatoes that the company would need ahead of the planting season. However, the company did not extend written contracts to its growers until planting was under way. At that time, the company reduced its contract volume much further than growers had been led to believe that it would. The company cited weak demand for French Fries, and stiff competition from product coming from Canada. Though some growers were able to cut back on potatoes at that time, many already had their crop planted, and others had too much investment in the crop to make it feasible to change production plans at that date.

The 24% increase in French Fry imports, during the July 2003 – June 2004 period displaced Idaho potatoes used by the J.R. Simplot Company, and other Idaho processors. Due to the huge volume of potatoes displaced, the nature of the relationship between Idaho growers and processors, and the late notification received by some growers that they would either not have a contract, or that their contract volume would be much lower than it had been in the past, a substantial quantity of potatoes that had been intended for use by French Fry producers were diverted to the fresh potato market, weighing on prices for fresh Russet potatoes.

**Notes on the Idaho Grower Returns Index**

The Idaho Grower Returns Index is published on a weekly basis by North American Potato Market News. While it is a proprietary series, it is derived from Federal-State Market News shipping point price data. The index is designed to reflect the market for a fixed-quality basket of fresh potatoes, designed to reflect pricing for average-quality Russet Burbank potatoes shipped from the state of Idaho, based on the best available information. Grower returns from other fresh Russet varieties may vary significantly from Russet Burbank returns, due to differences in quality and packing rates. However, the pricing of those varieties tracks closely with pricing for Russet Burbanks. Therefore, changes in relative prices would be very similar to changes reported for Russet Burbank potatoes. The table below shows how the index is structured, and shows pricing for December 4, 2003.

<b>Pack Margin</b>	<b>\$3.63</b>		
<b>Item</b>	<b>Packout</b>	<b>Price</b>	<b>Value</b>
10# Mesh	0.2814	\$6.25	\$1.759
40 Count	0.012	\$22.00	\$0.264
50 Count	0.018	\$22.00	\$0.396
60 Count	0.024	\$21.00	\$0.504
70 Count	0.04866	\$21.00	\$1.022
80 Count	0.03582	\$18.50	\$0.663
90 Count	0.04506	\$12.50	\$0.563
100 Count	0.04638	\$10.00	\$0.464
10/12 oz	0.01596	\$21.00	\$0.335
U.S. #2's	0.07272	\$10.50	\$0.764
WPG	0.4	\$1.00	\$0.400
<b>Totals</b>	<b>100.00%</b>		<b>\$7.133</b>
<b>Grower Return</b>			<b>\$3.50</b>

Document 1

Page 3 of 3

**Why use the Idaho Grower Returns Index?**

The Index is designed to measure potato prices in the way in which most Idaho fresh potatoes are marketed. Because it is based on a fixed-quality market basket, it cannot be used to determine the price of any particular lot of potatoes. However, it does a good job of comparing prices, over time, on an "apples to apples" basis.

While USDA publishes data on average farm prices for potatoes, those prices are based on the value received for both fresh and processing potatoes, whether under contract or sold on the fresh market. Since most processing potatoes are sold under contract, while the common practice is to sell fresh potatoes on the open market, the average price received by growers, is a distortion of the prices received by fresh potato growers.

**Data Notes**

1. Data on French Fry imports come from the US International Trade Commission Web Site
2. Raw product equivalent data assume that it takes two pounds of raw potatoes to make one pound of French Fries
3. Data on Idaho potatoes used for processing is compiled, and published by the Idaho Agricultural Statistics Service, PO Box 1699, Boise ID 83701
4. The Idaho Grower Returns Index is published by North American Potato Market News, PO Box 3112, Idaho Falls ID 83403. It is derived from shipping point prices published by Federal-State Market News Service
5. Market year average prices are based on a September – July average of the Index. NASS data show that 96% of all potatoes grown in Idaho are marketed during that period. Crossover between old-crop and new-crop pricing, during August create consistency problems with price data for that month. Therefore, the August prices are excluded from the crop-year averages.

**DOCUMENT 2****University of Idaho  
Extension**District IV Office  
Idaho Falls Research & Extension Center  
1776 Science Center Drive, Suite 205  
Idaho Falls, Idaho 83402-1575

Telephone: (208) 529-8376

Fax: (208) 522-2954

E-mail: [distofc4@uidaho.edu](mailto:distofc4@uidaho.edu)<http://extension.ag.uidaho.edu/district4/>

January 28, 2005

Keith Esplin  
Executive Director  
Potato Growers of Idaho  
PO Box 949  
Blackfoot, ID 83221

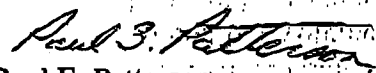
Dear Keith:

This letter is in your response to the issue you raised as to how imports of Canadian French fries have impacted the fresh market potato growers in Idaho.

The connection between the increase in imports of French fries from Canada and lower prices received by Idaho fresh market growers is indirect. As the volume of French fry imports into the United States increased in recent years, potato processors in Idaho reduced their contract volume and one processing plant was closed completely. Potato growers who would have had a volume contract with a fixed base price were forced into the open market if they wanted to continue to grow potatoes. Potato production requires expensive, specialized equipment that cannot be used for other crops. The only way a farmer can pay for these investments is with potatoes. There are few alternative crops available to growers, and none have the potential economic value of potatoes. Potato growers who lost processing contracts and continued to grow potatoes are now competing with growers who traditionally grew potatoes for the open fresh market where potatoes are typically sold on a consignment basis. There are no preseason contracts to help growers manage price risk. When the supply of potatoes available for the fresh market increased without a corresponding increase in demand, the price that growers received fell. This is what happened during the 2003 marketing year. Since the demand for potatoes is inelastic, the corresponding percentage decrease in price was greater than the percentage change in supply.

If I can be of further assistance, please don't hesitate to contact me.

Sincerely,

  
Paul E. Patterson  
Extension Agricultural Economist**Agricultural & Life Sciences**

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University of Idaho and U.S. Department of Agriculture cooperating